

Introduced by Senator Alquist

February 9, 2006

An act to amend Section 17072 of, and to add Section 17205 to, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1263, as introduced, Alquist. Income taxes: deductions: long-term care insurance.

The Personal Income Tax Law allows various deductions in computing income that is subject to tax.

This bill would, in computing adjusted gross income, allow a deduction for each taxable year beginning on or after January 1, 2007, in an amount equal to the applicable percentage of the amount paid or incurred for the cost of long-term care insurance for the taxpayer and his or her spouse, domestic partner, and dependents. The bill would require the Franchise Tax Board to report annually to the Legislature regarding utilization of the deduction.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17072 of the Revenue and Taxation
- 2 Code is amended to read:
- 3 17072. (a) Section 62 of the Internal Revenue Code, relating
- 4 to adjusted gross income defined, shall apply, except as
- 5 otherwise provided.

(b) Section 62(a)(2)(D) of the Internal Revenue Code, relating to certain expenses of elementary and secondary school teachers, shall not apply.

(c) *The deduction allowed by Section 17205, relating to long-term care insurance, shall be allowed in computing adjusted gross income.*

SEC. 2. Section 17205 is added to the Revenue and Taxation Code, to read:

17205. (a) For each taxable year beginning on or after January 1, 2007, there shall be allowed as a deduction an amount equal to the applicable percentage of the amount paid or incurred by the taxpayer during the taxable year for the cost of long-term care insurance, including long-term insurance plans offered pursuant to Section 21661 of the Government Code, for the taxpayer, the taxpayer's spouse, the taxpayer's dependents, and the taxpayer's domestic partner, as defined in Section 297 of the Family Code.

(b) For purposes of this section, "applicable percentage" means:

(1) Twenty-five percent for any taxable year beginning on or after January 1, 2007, and before January 1, 2008.

(2) Forty percent for any taxable year beginning on or after January 1, 2008, and before January 1, 2009.

(3) Fifty-five percent for any taxable year beginning on or after January 1, 2009, and before January 1, 2010.

(4) Seventy percent for any taxable year beginning on or after January 1, 2010, and before January 1, 2011.

(5) Eighty-five percent for any taxable year beginning on or after January 1, 2011, and before January 1, 2012.

(6) One hundred percent for any taxable year beginning on or after January 1, 2012.

(c) No deduction shall be allowed by this section for any taxable year for which the taxpayer's employer paid or incurred more than 50 percent of the cost of the long-term care insurance.

(d) No deduction shall be allowed by this section for any taxable year for which the taxpayer's adjusted gross income, without regard to the deduction allowable under this section, exceeds two hundred thousand dollars (\$200,000) in the case of married filing joint taxpayers and one hundred thousand dollars (\$100,000) in the case of all other taxpayers.

1 (e) The deduction allowed by this section shall be in lieu of
2 any deduction or credit otherwise allowed by this part for those
3 costs for which a deduction is allowed by this section.

4 SEC. 3. The Franchise Tax Board shall report annually to the
5 Legislature regarding utilization of the deduction authorized by
6 this act. To the extent data are available, the report shall include
7 information regarding the total value of deductions claimed, total
8 number of taxpayers claiming the deductions, the adjusted gross
9 incomes of persons claiming the deductions, and any other
10 information the Franchise Tax Board deems useful for helping
11 the Legislature evaluate the deduction utilization.

12 SEC. 4. This act provides for a tax levy within the meaning of
13 Article IV of the Constitution and shall go into immediate effect.